

Telenor Group Q3 Conference Call

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# Telenor Group Q3 Conference Call

*Participants*

Sigve Brekke

Tone Hegland Bachke

Scheduler - Hakon Hatlevik

Frank

Andrew Lee

Maurice Patrick

Andrea Jill

Peter Nelson

Francisco

Ousmane

Titus

Sarah

Andre

Adam

**Sigve Brekke:** Good morning, everyone, and welcome to our Q3 presentation. I want to start this presentation with repeating the value creation strategy we presented a month ago at our Capital Markets Day. One was to become a leading Nordic telco. This means growing core connectivity and services and focus on margin expansion through modernisation. Two, a strong Asian entity operating more independently from the rest of the group. A cash flow-focused Asia realising synergies in two merged entities and drive operational performance. Three, a leading Nordic infrastructure company. Our focus will be to develop and monetise our infrastructure. And, four, a new and focus approach to develop our adjacent businesses. We want to develop some of the assets that we already have and we want to unlock the value of assets through sub-sections and partnerships.

Let me then go through this quarter's result. As you can see from these highlights, we have already started to execute on our recent Telenor strategic agenda. In the quarter, Telenor continue to deliver service revenue growth. And I'm especially pleased with a Nordic mobile growth of more than 4%. I believe this is a strong support for our profitable growth ambition in the Nordics. As you have said, we currently have a significant cost headwind from energy, especially in Norway, Denmark, and in Pakistan. The impact this quarter and in the third quarter, and we continue to constitute a headwind for us until we start receiving energy from the PPAs that we have entered into for Norway and Denmark. These two PPAs have a significant lower price than the current spot price that we currently see. In Norway, these arrangements will start coming into effect in the fourth quarter next year, and in Denmark late the year after.

In a quarter, we executed on the first step of crystalising value in our infrastructure business with signing an agreement to sell 30% of our fibre company in Norway. With this transaction, we can increase the fibre rollout in Norway, shareholders will benefit through our share buyback programme, and in addition, we will strengthen our balance sheet.

Another key part of the value crisis strategy is the two big mergers in Asia. In a quarter, we have received the regulatory clearance in Malaysia. As expected, it took some time and we will now move on with a final approval from the stock change and our shareholders. As we have said, I expect this transaction to close in the fourth quarter, and we are well prepared to start realising the synergies. In Thailand, we yesterday received a regulatory notification. As presented, some of the remedies needs clarification, and we'll now seek to engage in a dialogue with the regulator to seek further clarifications.

Let me then turn to the Nordic business. At the Capital Markets Day, we told you that we believe in growth in the Nordic. And I'm quite pleased to see that in the third quarter, it is supporting this ambition with an overall growth across the portfolio. The growth is driven by two trends. First, a focus on core connectivity in all the segments, both mobile and fixed. Second, by growing services beyond connectivity, security, such a product for both the consumer segment and the business segment. In Norway, these services currently account for 18% of the mobile revenues with a growth this quarter of 12%. A key element in our strategy is to develop these services together with partners then to sell it to our customers using our brand and distribution strength.

By providing more value to our customers, we have during the quarter done pricing increases in all our Nordic markets. We have done this selectively across our customer segments, and we see the effect of this starting to come true now. Some of these increases are lifting the price on existing price plans, some is for new sale, and some are related to new offerings and new services.

Let me then deep dive into Norway. In Norway, and as you can see on this slide, we see growth in what we call the legacy free service revenues. In the quarter, these revenues grew with 3.1%. And as mentioned, we have a headwind related to the high energy prices, but adjusted for that and also, adjusted for the copper decommission. We see the top line growth resulting in an underlying EBITDA growth of 2.3%. Going forward, this is not enough. As it stated at the Capital Markets Day, our ambition is to deliver EBITDA growth of mid-single-digit based on an OPEX reduction in the Nordic of 1% to 3%. For the years to come, this means that we in Norway and also, in the other Nordic markets expect EBITDA to grow faster than our revenues.

To succeed with our ambition on profitable growth, I have a special attention to a continued modernisation of our business in Norway. With the copper set down, not coming to an end, we see a potential for additional simplification and modernisation in Norway. New modernisation initiatives are being implemented to improve operational efficiencies and customer experiences with positive impact on OPEX level in 2023 and the following years. Our plan is that this will be an important contributor to the EBITDA growth in Norway in 2023. Although a new Nordic setup is also, expected to contribute to modernisation and operational efficiencies in both the support functions and as well in the area of technology and IT. We'll come back with more information about the plans we have in this area in our Q4 presentation.

Moving to Asia. In Asia, we are progressing with the structural transactions in Malaysia and in Thailand. We have received regulatory clearance from the Malaysian regulator and also, the security commission approval for the proposed merger. We will now soon reach out to our shareholders for an EGM approval and aim for this transaction to close within this quarter, the fourth quarter. In Thailand, as I said, we just received the notification letter from the regulator. Initially, and as presented, some of the revenues need more clarification. We will therefore now seek to engage with the regulator to discuss the remedies and seek further clarity.

Going to Bangladesh and Pakistan. Organically, we see a good development continue in Bangladesh with a 7% revenue growth from increased data usage and demand. This is coming from existing customers because the SIM ban has not made it possible for us to take a fair share of the new customer growth in the previous month. However, we have now reached an agreement with the regulator such that we can start using recycled numbers to get back also, with SIM cells. In Pakistan, the demanding floating situation has impacted people's life and the economy as well and continued increase in energy prices and high inflation. This is impacting our revenue growth and of course also, significantly increasing the OPEX. As I mentioned in our Q2 presentation, we have started a strategic review in Pakistan, and I expect more clarity on our structural alternatives in the coming month. At our Capital Markets Day, we said that we want to focus on synergies and cash flow in Asia with a target of accumulated free cash flow of NOK 12 billion in the period up to 2025. We will shortly start reporting on cash flow generation from our Asian businesses.

Turning to infrastructure. When it comes to infrastructure, we are executing on the strategy we presented a month ago. The fibre deal in Norway support continued high fibre rollup while crystallising some of the significant values we see in the infrastructure portfolio. Following several years of high investments in the Norwegian fibre market, the transaction demonstrates the value of Telenor fibre and the infrastructure assets that we have. The deal allows us to strengthen Telenor's competitive position in Norway as the transaction enables Telenor to accelerate our FTTH rollout and also, the HFC replacement. We are bringing in strong investors with a long-term horizon. We have been able to attract new capital on a very compelling term and why the benefits of partnership in an experienced infrastructure investor. The cash proceeds will partly be used on fibre investments, partly distributed through our share buyback programme, and partly to strengthen our balance sheet and all financial position. And as you can see on this slide, the intention is to call for an EGM to initiate a share buyback programme shortly after closing of this transaction.

From October 1st, [Inaudible] is the new head of our infrastructure business area. She will have a special attention to develop the organic development of the tower companies across the Nordics. This will also, include the future structural tower opportunities that we see. In addition, she will continue the work on creating a data centre strategy. The last four business areas it's on the adjustment business. As a part of the recent Telenor we presented at our Capital Markets Day, we launched this new business area headed by Dom, which will focus on our adjacent businesses. We have decided to name this area Telenor Arm.

This quarter we delivered a double-digit revenue and double-digit EBITDA growth from the consolidated units driven by strong development in connection Telenor links and Telenor Maritime. We also, got confirmation on our advanced position when it comes to IoT as Telenor is ranked among the top three IoT players in Europe. This makes us a clear IoT market leader here in the Nordic. Going forward, our focus will be on two areas. One, a strategic review of the portfolio that we have, where we will look for partnerships, monetisation, and possible exit. And two, continue to develop ourselves into a leading Nordic position when it comes to IoT and security.

Let me end with this slide. This was a slide also, used a month ago at the Capital Markets Day, and this shows our financial priorities in the month and quarters, and years to come. One, profitable growth, reducing CapEx intensity, and continued modernisation in the Nordics. Two, strengthen cash flow from Asia. Three, unlock value from our infrastructure. And four, a disciplined approach in our adjacent businesses. And with that, let me welcome our CFO Tone on the stage.

**Tone Hegland Bachke:** Thank you Sigve, and good morning everyone. The strategy we presented at the CMD in September sets out a new direction for Telenor with profitable growth as one of the key elements. I'm therefore particularly pleased to see that with this quarter are able to generate 4% growth in mobile service revenues in the Nordics, and this is a key driver for the overall 2.5% organic growth in service revenue. Organic EBITDA also, increased by 2.5%, although with many items impacting the results both negatively and positively.

As outlined on the CMD, we have seen increasing energy prices and as Sigve said, especially in Norway, Denmark, and Pakistan. For the quarter, however, the energy increase was more than compensated by a reversal of an accrual in Pakistan related to the SIM tax. This amounted to NOK 600 million. Free cash flow came in at NOK 5 billion or NOK 4 billion excluding M&A in line with our expectations.

Let us start with taking a closer look at revenues. As you can see, we show growth across the Nordics including mobile and fixed future in Norway. This is driven by increased usage and partly price increases implemented during the year. Norway delivers 3% growth on non-legacy and a mobile ARPU growth of also, 3%. We also, saw solid development in Bangladesh delivering growth of 7% despite the SIM ban. The reported growth for Pakistan as reported is supported by the SIM tax reversal excluding this effect, the growth is negative 3%. Looking at the other segment, we see double-digit growth Telenor Connection, our IoT company. On the negative side, we still see copper headwinds, which will gradually taper off now as we enter 2023. Thailand and Malaysia shown also, negative growth and this is reflecting the prevailing macro and competitive sentiments in this market.

Moving to OPEX. This quarter, we see a 6% increase or a NOK 500 million up from the third quarter 2021. This mainly reflects around NOK 200 million higher energy costs. It is a little over NOK 100 million in increased sales and marketing spend as we've talked about throughout the year, particularly spend in Bangladesh and Sweden. And we still have around NOK 100 million related to strategic projects, which we then will expect gradually to be reduced going forward. Apart from these items, we see only modest cost increases, and this goes to the structural initiatives we are running, currently have the ability to mitigate the inflationary pressures we have seen so, far.

Moving to energy. At the CMD, we highlighted that the sharp increase in energy prices increased the uncertainty around our EBITDA guidance. As we all experience, the situation remains very volatile, and even though we see spot prices have come somewhat down in the very, very near term, we base our estimates on forward prices and the other estimates we can have in the markets. And based on this, we still see the second half outlook in line with what we presented a year ago at the CMD of a NOK 2.5 billion of cost in the second half of the year. And based on the mid-October forward price that we see it, we estimate the EBITDA headwind for the full year coming from energy to be around three percentage points for the full year.

As showed on this graph, the main drivers for the increase are Norway, Pakistan, and Denmark, as we have talked about this year. And then as Sigve also, said, the ten-year PPA that will come into effect late 2023 or early 2024 in Norway, and late 2024 in Denmark have prices which are much more in line with the historical averages we've seen for energy prices.

Moving to EBITDA. We report a 2.5% EBITDA growth for the quarter, and as I said, it includes both negative special items and the significant reversal of the SIM tax accrual in Pakistan. This reversal of the previous provisions are done line by line on the same accounting lines as when we did the accrual. Looking at the performance in the Nordics, we see strong growth in EBITDA in Sweden. There is also, a solid reported number for Finland, and it is as we remember, based on the negative one-off in the same quarter last year. The decrease in Denmark is fully explained by increased energy costs, while in Norway, as Sivge also, talked about, it is a combination of the copper headwind and energy cost, which is resulting in a material decrease of 9%.

I would also, just make you aware and draw your attention to that there is a change in periodisation this quarter between Telenor Infra, which is in the other segment, and Telenor Norway, which is removing a time lag of booking of energy costs between the two entities of two months. And the result this quarter is an increasing revenue of Infra of around NOK 100 million and a similar increase in Norway of cogs of around NOK 100 million. There is no major impact on the group figures for this internal prioritisation.

In Asia, we see solid growth in revenues in Bangladesh, which follows through to EBITDA. In Pakistan, however, the underlying EBITDA decreased by 22%, which is driven by the energy cost, the FX headwinds, and we also, see some negative impact from the flooding on the top line. During this year, we have talked about these three special items impacting us negatively throughout the year, and you see here in this figure to the right here that they impact in total around six percentage point on EBITDA this quarter. Then, on the other hand, the reversal of the accruals had a positive impact of 4.8% for the quarter.

The net income to equity holders of Telenor ended at NOK 1.5 billion. The reduction from last year is primarily a result of FX effects, which comes from strengthening of the US dollar and Singapore dollar versus the Norwegian kroner. These effects are, as you know, they are unrealised and non-cash items. In total, FX has a negative contribution of NOK 2.4 billion. Lower profit before tax this year also, results in a NOK 400 million lower tax expense in the quarter. CapEx for the quarter is in line with plan and primarily driven by the 5G rollout in the Nordics. The fibre investments in Norway and the network investments in Thailand. Free cash flow improved in the third quarter and came in according to our expectations at NOK 5.2 billion or NOK 4 billion excluding M&A. Year to date, the free cash flow stands at NOK 9.7 billion.

During the quarter, we have seen a positive development of 0.1 on our leverage, which is driven by the cash flow generation, which is then on the other side, partly offset by the currency impact on that set of around NOK 3 billion.

Then, I will move to the outlook for the year. The service revenue growth is progressing according to our plan, and we maintain the expectation of low single digits organic growth on our Capital Markets Day, we highlighted that the energy prices have increased significantly in the second half of the year and created an additional headwind on the full year EBITDA compared to what we saw of 1.5%. However, as we talked about, this quarter, we have a positive one-time effect in Pakistan, which compensates for the increasing energy costs. As a consequence, we maintain the outlook for 2022 organic EBITDA around last year's level. The CapEx to sales is still expected to be in the range of 16% to 17%. Then, Sigve, I believe we're ready for the Q&A.

**Sigve Brekke:** Yeah, we are.

**Tone Hegland Backe:** Operator, may we have the first question, please?

**Operator:** Sure. We will take the first question from line, Andrew Lee from Goldman Sachs. The line is open now. Please, go ahead.

**Andrew Lee:** Yeah, good morning. I had two questions. The first one is just on your energy cost headwind visibility into 2023. Could you just talk to us about how much visibility you have on that headwind? And you talked about your confidence in mitigating the headwinds for 2022, but how confident are you to mitigate for 2023? And then the second question was on a really interesting deal to sell 30% of your fibre asset as you laid out on one of the slides. Just one, is that the extent of your plans to sell that asset? Could you sell 49% or do you ever give up your strategic control of that asset? Thank you.

**Tone Hegland Backe:** Yes, I can start with energy. As you know we have a long-term hedge in place for the Norwegian energy consumption, but that comes into effect towards the end of 2023. So, for 2023 until that comes into effect, we don't have a hedge in Norway. In Sweden, we have approximately 50% hedged for 2023 consumption. In Finland, the pricing mechanisms leave us to be around two third of the consumption being hedged as it is a three-year rolling pricing mechanism there. And then Denmark is also, waiting for the long hedge of energy prices. So, we have the volatile situation on the energy in general, and we will continue to be exposed in those Nordic markets. In Asia, as you know, it's a different dynamics and it's difficult to hedge it based on diesel and other components.

**Sigve Brekke:** And the PPAs will start ticking in then in the fourth quarter next year for Norway with a significant lower price. Now on the second question what we have said all along is that we want to sell bringing a minority partner in our fibre infrastructure in Norway, and that's exactly what we have done. We're very happy with the evaluation we got out of that. And as I also, talked about in the presentation, we will now use some of the proceeds to continue to grab market share on fibre in Norway, and also, some willing to pay back to our shareholders. So, we are happy with the 30% minority position that I have. There is no plans about that.

**Andrew Lee:** Thank you. That's very helpful. Can I just follow up on the energy side? obviously, your ARPU trends are pretty decent this quarter. How confident are you in your ability to mitigate or at least partially mitigate the energy headwinds in 2023? Are you accepting that it's clearly a volatile situation?

**Sigve Brekke:** Yeah, so, your question is about the pricing power that you have? Was that the question?

**Andrew Lee:** Exactly, yeah. Your ability to mitigate the cost headwinds or pass through the cost headwinds onto your customers.

**Sigve Brekke:** Yeah, we are not going to give any views on what we plan to do on that going forward, but what we have done in the last few months is to do price increases in all our Nordic markets. And we do that in various ways and we see that most of this is actually related to giving customers more, also, more services, so, it's appreciated by all customers. That is what we have done, and that is now starting to come true. Most of these increases we have done quite late lately so, it's first in the coming month, you will see this coming true. I don't want to give any more views than that.

**Andrew Lee:** Okay. Thank you.

**Operator:** Thank you. We will take the next question from the line, Maurice Patrick from Barclays. The line is open now. Please, go ahead.

**Maurice Patrick:** Good morning, guys. Thanks for taking the question. Just a question on the timing and phasing of the Norway EBITDA turnaround. I mean, you delivered minus 8.8% I think this quarter, and you talked about the four percentage points of energy in the wholesale drag. In the past, you've communicated the sort of idea that the drag from the wholesale gradually decreases as we get into 2023, I think it kind of lapses in the second half, and you've got the PPA coming in, as you say in the fourth quarter. I think you said, Sigve, in the prepared remarks you expect to grow Norway's EBITDA in 2023. But if it gives us some sort of sense of the phasing of that, that'd be very helpful. Like is it for the full year? Will it just be in the fourth quarter? Will the first half likely be similar to what we've seen this quarter? That'd be helpful. Thank you.

**Sigve Brekke:** Do you want to start?

**Tone Hegland Backe:** No, you can start.

**Sigve Brekke:** Yeah. Okay. No, I think it is pretty much, as you said, the headwind from the legacy decline will continue into the first two quarters of next year. At the second half of next year, this will then on a year-by-year, a year-on-year basis be more obvious more start. And then as I also, said, we are now initiating new initiatives, efficiency initiatives, and modernisation initiatives to bring down the cost of the rest of the business. And that is going to impact our EBITDA for next year. But I don't want to give you any more guiding than what I did in my presentation and what I just said now.

**Maurice Patrick:** That's great. Thank you very much.

**Operator:** Thank you. We will take the next question from line, Andreas Jill from Dan Spec. The line is open now. Please, go ahead.

**Andrea Jill:** Yeah, good morning everyone. Just to follow up to Andrew's question. As you said, you have done some price increases as of late. Just curious about your learnings from those increases, and also, if you can see any changes in consumer behaviour given where we are in terms of macro. And then maybe also, on Thailand, if you could say anything about these proposed remedies if they are as you expected, although I understand you need clarity on some of them, but is it fairly as you expected? Thanks.

**Sigve Brekke:** Yeah, start with the price question. I think the customers are appreciating more for more and many of these increased price increases is actually related to giving more for more and we don't see any major effect with our customers on that. In the price and sensitive segment, which is around 30%, I think, of our Norwegian customer base, of course, there we are more careful. But the more high-end customers, we see that the price increases has been accepted if I can use that word. The same we see across the other Nordic markets. However, we don't know how this is going to develop, how competition is going to act to this so, that is yet to be seen. But so, far, so, good, I will say of that question.

On Thailand, well, some of the elements that we have seen in the notification we got is as expected. Some of them are unclear for us what it really means, and that's why we need to seek further clarifications on what it really means in practice. So, the letter we got on several elements are actually quite unclear when it comes to how this will be operationalised. So, that's why we need to go back to the regulator. But as we have said all along, the regulator do not have the authority to say yes or no. They only have the mandate to look at remedies. So, the notification shows us that we were right on that. The regulator do not say yes or no, but they look at remedy. So, at least that is and it's has been a lot of discussion around that. Can the regulator actually say no? So, this confirmed - the notification letter confirms that our understanding has been right. So, I'm not able to answer more in detail than that. Always sit down and discuss this and see that clarification.

**Andreas Jill:** Very good. Thanks.

**Operator:** Thank you. We will take the next question from the line, Peter Nelson from EBG. The line is open now. Please, go ahead.

**Peter Nelson:** Thank you very much. Yeah, I guess, Sigve you've commented as much as you want to on the OPEX impact in the coming quarters in Norway, so, just stick to Nordic mobile revenues obviously quite strong. And as you mentioned, Sigve, you've raised prices. Could you discuss a bit what kind of support you're seeing from the launch of 5G? Is that a factor here in enabling you to increase prices upselling, et cetera, or is this still too early? And are you seeing any more sort of concrete discussions and perhaps contracts with enterprises on 5G in, I guess, across the Nordic markets? Thank you.

**Sigve Brekke:** Yeah, some of this is related to upsell from 4G to 5G. We do that in Norway and we do that in Finland, and there is still a room to grow on that, so, yes. Then we see that the fixed wireless is not picking up based on our 5G network. And as you know, that has actually increased quite a lot over the last few months. Then under your business segment, we see now that we have more and more dialogues with customers on building 5G networks. That we see both here but also, in Finland and also, coming into Sweden. But that's still a little bit too early to say how big that effect will be, but there is more the mild model than what we have seen in the past on those 5G-related private networks.

**Peter Nelson:** Yeah, I think you commented earlier on sort of what you're seeing on the consumer market. Are you seeing any pullback of any kind on the enterprise side in relation to sort of the weakening macro outlook? That's probably also, still too early?

**Sigve Brekke:** No, we haven't seen that in the Nordic. No, not at all, I will say.

**Peter Nelson:** Okay. Thank you.

**Operator:** Thank you. As a reminder, if you would like to ask a question or make a contribution on today's call, please press tab one on your telephone key. To withdraw your question, please press star two. Thank you. We will take the next question from line Frank from D&V. The line is open now. Please, go on.

**Frank:** Yes, [inaudible] and thank you for taking the question. My question is more on the cost development in Norway. So, it was a bit on weak side of consensus expectations and you have talked about the energy impact and so, on, but is there any short-term cost measures you are pursuing in Norway more in the short term to mitigate the cost headwinds from energy and also, more in general, really? That's my question really.

**Sigve Brekke:** Well, Frank, that depends what you mean by short-term. As I said, we are investing now in taking this service position, and as I said, 18% of the mobile revenues in Telenor now are coming from those services on top of the data connectivity. So, we are hiring people on that area and we are investing into that. So, that's part of the answer. When it comes to then going forward, we have now embarked on the new programme to look at - and this is coming out from now the Copper Decommissioning Programme ending. Then we have resources enough to look at what else can be modernised and make more efficient in Norway. And those initiatives, we plan then to take now with us in into 2023. And as I said in my presentation, that will be a main driver to have the EBITDA development in Norway next year. So, yes, if you mean short term, short term is the next two, three quarters, yes, we have initiatives to address the rest of the cost base.

**Frank:** Thank you. And follow up on the price learnings, the price responses that you've basically seen or not seen in the Nordic based on your recent price increases we've seen Telia, for instance, increasing some fixed line prices in Norway, but on the mobile side, have you seen anything here or in other markets that competitors have followed up?

**Sigve Brekke:** Yeah, I just want to stay very careful on the pricing discussion when it comes to our competitors. I can say what we have done and I can say how we have seen the development or the way our customers are taking this, but I don't want to go into what the competitors are doing or thinking or will do.

**Frank:** Thank you.

**Operator:** Thank you. We will take the next question from the line, Louis, from Credit [inaudible]. The line is up now. Please, go ahead.

**Louis:** Hi, good morning. I have three questions, please. The first one is on Sweden and Finland. We have seen a pretty strong acceleration in terms of service revenues and also, on EBITDA. Can you give us some colour on the drivers on both countries, please, and how sustainable do you think this can be going forward? The second one would be around the Thailand remedies. You are saying that there are some remedies that need further clarification. It would be helpful if you can give us some colour on which of the remedies are the ones that are causing your concern on your end. And the third one on wages renegotiations in 2023, we have heard some comments from your competitors on wages expectations into 2023. It would be helpful to understand how these negotiations are going, and any viability you can give us by country would be helpful. Thanks.

**Sigve Brekke:** You can pick which one you want to take.

**Tone Hegland Backe:** Yeah. No, I'll start with Sweden and Finland. We are very pleased with the performance we see in Sweden now. We have for several quarters going back, we have talked about the turnaround we were working on. We were talking about how we were preparing ourselves through our systems and way of work, and we are very pleased now to see that we compete much better in the Swedish market, and this is really what you see in the results going forward. So, we have a solid top-line growth in Sweden, and that is then, as you see following through to the EBITDA.

In Finland, we continue to do the 5G upselling, and we believe still that the Finish market is a very healthy market when it comes to how the customers are embarking on higher price plans building up on the improved data usage and the upgrade from 4G to 5G. So, we will continue to work on this at the same time as we of course continue to focus on taking out these cross-Nordic synergies that we will now have a focus on following the establishment of the Nordic unit, and we are looking across. And that is both coming to support the top line over time, but also, work on the efficiency in the cost base.

When it comes to wages for 2023, these are market-by-market agreements. As you know, we have been in the past able to mitigate the price increases, salary increases by efficiencies. As you see at this quarter as well, that we have a very slight increase in the salaries and wages, and we will continue to focus on this going forward. Then, of course, it remains how the overall macro and disagreements will play out in 2023. But we have had good learnings and we will continue to focus on this. And then you can share.

**Sigve Brekke:** Yeah, just if you look back a few last few years [inaudible], I think we had taken down the number of employees in the range 7% or 8% to - I'm not saying that that's what we are going to do going forward, but that way we have been balancing the personnel costs. Now on Thailand, well, take two of the areas that we need to understand better. One, it's what I say about price adjustments or tariff adjustments, we need to understand that. Another one, it's what I say about creating capacity network to facilitate [inaudible]. Those are two examples of things we need more clarity on, but better or more in the document that we have received.

**Louis:** That's helpful. Thanks.

**Operator:** Thank you. We will take the next question from line, Francisco from B&B Inaudible]. The line is open now. Please, go ahead.

**Francisco:** Great. Thanks very much for taking the questions. I've just got two, please. On Bangladesh, you've obviously said that there's a partial resolution to reuse SIM cards. Do you have any update on how that's progressing and any expectation that you'll actually be able to reissue numbers? And then secondly, please, just on Norway fibre so, it looks like your fibre and ads are slowing slightly. So, earlier in the year, you explained that net ads were expected to pick up in the second half of the year. Can you just please explain the trends that you're seeing, and if this is still the case? Thank you.

**Sigve Brekke:** Yeah, I can answer one on Bangladesh, then you take the fibre. Was your question on Bangladesh on this SIM ban? Was that a question?

**Francisco:** Yes, exactly. And any update on that?

**Sigve Brekke:** Yeah, for several months, well, we have not been able to sell new SIMs in the market and I must say it's a quite impressive than 7% growth and not coming from new sales, but actually coming from growing the relation or auto with existing customers. So, I'm pleased to see that. But now we are allowed to use all the recycled numbers, meaning that customers that churn out, we can take those numbers and we can start selling in the market again. So, now we are back in also, in the same channels. We also, have a very good dialogue with the regulator in Bangladesh now ongoing, taking completely away the SIM ban. And I'm quite positive that that will happen relatively soon. Also, with the allowance of using recycled SIM cards, I don't see that we are really hindered now from participating in the new sales. So, going forward, I'm not so, worried about this.

**Tone Hegland Backe:** Yes. And then on the fibre, we do see now that we are able to reposition ourselves following a more mature dynamic in the Norwegian market. There is changes in maybe the dynamics when it comes to churn, but these customers very often remain on our network as wholesale customers. So, the net ads we report are the net ads to Telenor, but in our network as such, we remain a large portion of these customers. So, it is in for an area with constant focus. Of course, it's a more dynamic game now, and we believe we are constantly improving in how we position and play in that dynamic game. And then we also, foresee, as we said, from the new fibre agreement that we will also, invest going forward into this to capture new growth and also, the opportunities as we see them.

**Sigve Brekke:** Next caller, please.

**Operator:** Thanks. We will take the next question from line, Titus from Back of America. The line is open now. Please, go ahead.

**Titus:** Hi, team. Good morning and thanks a lot for taking my question. Just one wider one on your free cash flow and then a quick follow-up. Just on the free cash flow, could you maybe give us a little bit of colour on the working capital trends and given that there have been a bit of attention on the current environment on supply chains and how you would expect them to kind of to work out over the next couple of quarters? And related to that, maybe on CapEx, given that there are a couple of headwinds on free cash flow for you at the moment, one option could be, of course, a more selective approach to CapEx investments going forward to cash flows. And to your recent fibre deal already went into that direction and to guide for lower CapEx and the medium term, but how would it look like for you in the short term? And do you think you could be more cautious on spending, and where would you prioritise? And then maybe very, very quick follow-up just on the fibre deal. Could you give us any number, any quantification on what cash flow leakage we could expect from the minority stake sold?

**Tone Hegland Backe:** When it comes to free cash flow and working capital, we saw that we had a somewhat of a headwind on the working capital in the first half of the year. We said we expected it to improve in the second half. We are neutral now, and we do expect a slight improvement in working capital in the fourth quarter. We don't see any kind of structural trends, but we do see periodisation between quarters relating to when the CapEx is paid. And we see that as a particular element with the third quarter last year versus the third quarter this year. And then, as you might recall, based on the accounting rules, the third quarter last year, we also, had the cash generated in Myanmar included in our cash flow. So, we don't see any large structural transact changes in it, but it's more a shifting between the quarters.

When it comes to CapEx, we are continuously manoeuvring in where to most efficiently apply the CapEx funds. We are in a situation now, as you also, alluded to, that we are investing in fibre and will continue to invest in fibre. And then we also, have, as we talked about on the CMD, we have 5G rollouts in four markets in the Nordics. And it is, of course, important for us to be able to compete in those markets. But in the midst of this, we are constantly looking at how to best deploy the funds we have. And then what was the question of fibre again? The leakage. Yeah. We have not been clear on that nominal amount. We will come back to that when we have the share buyback and we believe that would be the mechanism for how to neutralise the leakage. And then we have said that approximately 30% of the proceeds that we get will be used for share buybacks.

**Titus:** Thank you. Very helpful.

**Operator:** Thank you. We will take the next question from line, Ousmane from Bernburg. The line is open now. Please, go ahead.

**Ousmane:** Hello. Thank you. Just two questions, please. The first question was on the FibreCo. Can you indicate what kind of leverage you anticipate will be put on the FibreCo, please? And also, what is the kind of EBITDA growth rate that you're seeing at the FibreCo at the moment? So, that was the first question. The second question was for, Sigve. Sigve, amongst the remedies that you've highlighted you needed more clarification on I'm surprised that you didn't mention the - I mean, in the notification it says that the number of cell sites that the merged entity has cannot be reduced going forward. And I was just wondering, I mean, does that have any impact on your ability to consolidate the network or decommission sites, which obviously will be a big portion of the synergy extraction? Thank you.

**Sigve Brekke:** Yeah, I can start with a second, and then you can think about the first.

**Tone Hegland Bachke:** Yeah.

**Sigve Brekke:** Yeah, I mentioned two examples, but there are more issues here that we need clarification on. You are mentioning one of those. And in their notification, it also, says that we had no obligation when it comes to population coverage. And of course, that is natural that a regulator have a view on that. And that is what we are going to focus on. And I think we are almost there when they're merging these two entities with the 5G presence that our future partner True has entitlement already. And that is the main objective, I guess, that the regulator wants to make sure that we are giving the people of Thailand a good 5G coverage.

And then the area you mentioned in my view, yeah, that's something we need to clarify because it doesn't really make sense that you have parallel networks. So, it's just an example of clarity in the notification.

**Tone Hegland Bachke:** Yes. And then on the FibreCo, it's as we said, they are valuing the company on an ED basis of NOK 36 billion, and the minority investor will pay NOK 10.8 billion for that. The company as such will be a consolidated part of Telenor, so, that will be part of our normal leverage so, to speak. We will get the funds in, and then we will continue to invest. So, it's not the traditional structure or it's not a separate structure as such, it's part of us. We get paid for the EV and then there is of course a leverage on the Topco level for the investor, but that will not impact the FibreCo as it is included in Telenor.

**Ousmane:** And so, just on the EBITDA growth that you're seeing at the FibreCo at the moment?

**Tone Hegland Bachke:** Yeah, we have not communicated on that. We are in a growth phase where we are rolling out more and where we are hiking in the market, but we have not given any growth rates or indication on that.

**Ousmane:** Thank you.

**Operator:** Thank you. We'll take the next question from the line, Adam from HSBC. The line is up now. Please, go ahead.

**Adam:** Thank you very much. I had two, please. So, firstly, on Pakistan and the impact of the flood, I think maybe it's somewhat out of our minds because it's out of the press. But if you could give us an update on exactly the impact that you've seen in Q3, kind of how much that's ongoing into Q4 and any impact that you're anticipating further out in terms of both OPEX and maybe CapEx to sort the network out to the degree that it needed. And then secondly, there's a couple of mentions within the release of your operating activities stepping up. I think in your prepared comments, you mentioned Sweden and Bangladesh as you had before. I guess, I wonder how you feel about the kind of run rate of those businesses at the minute and whether or not you think there's kind of a further uptick to go. Whether it's just very dependent on how you compete in those markets going forward, or whether you are all else equal operating kind of as you would like to on that OPEX line. Thank you.

**Tone Hegland Bachke:** Yes. So, when it comes to the flooding in Pakistan, that is of course detrimental to the people of Pakistan. It is also, impacting us when a high number of sites are down. We believe that this is partly or it is partly reflected in the numbers we see this quarter. It's a bit too early to give any kind of clear indication for the longer-term impacts on this, but in the quarter as such the main reason for the OPEX increases continue to be energy and FX. So, we don't see a material impact this quarter. And it's of course something where we are constantly maneuvering our local team in Pakistan and alongside a very demanding energy environment in general. So, it's a maneuvering that is going on, but it's not to the same extent impacting our numbers this quarter.

When it comes to investments in the markets in Bangladesh and Sweden, in Bangladesh, we show, as you see a 7% growth. It is with this growth level, you continue to invest and it's profitable. We have the 5% EBITDA. And in Sweden, we are continuing to evaluate our approach in the market, and we also, are working on how to best compete in the market, and that is evaluated going forward. So, far as you see, and as we have said, we see the growth is coming through to the EBITDA and that will be the ambition when we deploy and allocate safe and marketing funds also, going forward. But these have been the two markets where we have said we have special attention and we see in the financials that is coming through to.

**Adam:** Okay, thank you very much.

**Operator:** Thank you. We will take the next question from line. Andre from UBS. The line is open now. Please, go ahead.

**Andre:** Hi. Thank you for the presentation. I had two questions, maybe both follow-ups. One on Thailand. So, the question is to what extent is the 2025 free cash flow dividend cover target relying on synergies from Thailand. I.e., if you had a few years of restrictions in terms of, for example, a network merger between the two companies, does that actually hinder that target or is that the small part of the overall growth from here and in 2025 because I believe if I look at the slides in the Capital Markets Day, the majority is still coming from the Nordic. So, what kind of problems was the dividend cover would that be in 2025? And then going back to energy, if you take everything that you know today all the kind of moving pieces, you've got some positive ones, it's just the corporate shutdown, some negative ones of course going into 2023. Then, if we look at the NOK 2.5 billion amount that you're expecting in the second half of 2022, is that you think that the kind of run rate roughly? Is that the peak on a semi-annual basis before some of the PPAs kick in, as you say, towards the end of 2023? Thank you.

**Tone Hegland Bachke:** Yes. So, what we said when it comes to Thailand and the synergies, we are reporting a significant NPV number of the synergies, but it is of course a long-term value creation plan. And also, as we said, we believe that the first years will also, be years where you invest and adjust. So, there will not be a material impact on the cash flow from the Thailand merger in the early part of the next three-year period. So, it will not over time, over the three years, we don't see a material impact if there is a delay or adjustment to this. So, it will not materially impact the overall plan.

When it comes to energy for 2023, what we see is, and particularly, of course, looking at a region market where the main exposure is that you know, we see still a forecast of increasing energy prices into 2023. So, really what will be the effect in 2023 will depend on the prices in the market as we enter 2023. And as we see now in Norway, there is a small dip in the pricing, but the forecast still remains fairly high. So, it is difficult to say, and I don't want to guide into 2023 until I have to and until we will make that overall assessment, but there is still a view that the winter will require higher energy and that the energy prices will be higher during the winter in Europe in general as we see it.

**Andre:** Thank you very much.

**Operator:** Thank you. We will take the next question from line, Sarah from JP Morgan. The line is open.

**Sarah:** Hi. Thank you. I had two questions, please. So, you said before that you're a bit more careful on the lower end of the market with price increases. So, just curious to know what is your approach there, or what is your thinking around there. Like, are you may be giving more discounts because you're more cautious of the cost of living crisis, or is it just not putting in price increases as much? And the second question is, is there any scope for governmental intervention in the energy markets for corporates in any of your countries? Is that any potential upside to the energy costs expectations? Yeah. Thank you.

**Sigve Brekke:** Well, I think on the first question, I just said that of course, the 30% of the mobile market in Norway, it's what we defined as a more price-sensitive segment. And that segment we are addressing differently than we do with just 70% of the rest of the mobile markets. So, I don't think I want to go - as we are doing price adjustments also, in that segment. So, I don't think I want to go more into details on what we do, but yeah, that's the way we look at it.

**Tone Hegland Bachke:** Yes, and on your question on energy, as we talked about before in Asia, several of the markets we are in Asia have regulated prices. So, there is some kind of intervention already in those markets, and that is why of course you only see the large increase in Pakistan because there are other pricing dynamics in the other countries in Asia. And then in the Nordic, of course, we follow the general debate and we are acting as we cover our consumption based on the mechanism that we have. We say in Sweden we are hedging, Finland we have the rolling - the kind of the yearly rolling, and then we have the exposure to the market as you allude to in Norway and Denmark until the PPAs come into play.

**Sigve Brekke:** I think we had one call left to that.

**Tone Hegland Bachke:** It appears so.

**Sigve Brekke:** Yeah.

**Tone Hegland Bachke:** Or maybe no.

**Operator:** Thank you. We'll take the next question. Sure. We'll take one final question from the line, Frank, from B&B. The line is open now. Please, go ahead.

**Frank:** Yes. Hi. Just a follow-up question, if I may, on then the Thailand process going forward with regards to the discussions with the regulator there on these clarification items you have. What can you give us some idea, or if you have one on what the formal and at least the formal process is if not the informal one, but at least the formal process on how these discussions are likely to go, the time span you expect, and so, on? That would be great. Thank you.

**Sigve Brekke:** Yeah, thanks for your question, Frank. I actually don't know the answer to that question. So, we received this notification letter just a couple of days ago and we are going through it now to understand it. And the next steps and how this is going just seek out for clarifications. I don't know how long time and exactly how that process is going to play out.

**Frank:** Okay, thanks.

**Operator:** Thank you. There's no further question.

**Tone Hegland Bachke:** Thank you everyone for listening in and asking questions, and have a nice day.

**Sigve Brekke:** Thank you.

**Operator:** Thank you.

[END OF TRANSCRIPT]